

# *R J Reynolds*

Tobacco Company

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FSC-16-B  
January 30, 1996

TO: ALL FIELD SALES MANAGERS

SUBJECT: RETAIL PRICING STRATEGIES

Our discounting strategies at retail are designed to avoid share losses by defending our business against competitive discounting. Our discounting strategies are not offensive in nature; when executed effectively, our strategies will defend our business in your marketplace. Without effective execution at retail, we will spend more money than necessary and still not protect our brands. We began making good progress in 1995. In fact, if you look at our results in 1995, we spent substantially less money at retail than previously, and still improved our share performance. This was a significant accomplishment during a period of major change throughout our organization. Bottom line, we delivered outstanding results... thank you for a great job! This was particularly impressive when we take into account substantial increases in competitive spending. So, it is possible to spend less and get better results.

Going forward, what we want to do this year is make our execution as targeted and effective as possible in order to get the best possible impact out of every dollar. In order for us to be successful, we must work the issues with ongoing discussions, not only what we are doing, but why up and down the organization.

There continues to be questions from Managers on the management reports and how the information is read or interpreted. To provide a better understanding, attached is a Top Line/Key Point Summary of how the system works (Exhibit A) from a global perspective.

In addition, Sales Reps and Retail Reps continue to have questions on the ABC's of Price Gap Execution. To support your training efforts and establish a uniform and comprehensive understanding of Price Gap Execution, I am sending out the attached cover letter with a Top Line Summary of the Price Gap Execution logic and a few examples.

Please review the attached mailing to the Reps carefully. Ensure that your direct reports understand the execution guidelines. If there is anything you do not understand about any aspect of this program, please get clarification from your immediate manager.

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If you need additional clarification, call Frank Petto (ext. 1288) or Steve Zitta (ext. 1289). It is imperative that you and your people understand these guidelines cold. Effective discounting strategy execution made a major difference in our performance in 1995, and we are relying on you to continue effectively defending our brands in 1996. This will be the foundation upon which we build future business building efforts.

Thank you for your commitment and your enthusiasm; we are making a difference in our business.

Sincerely,

*Jim*

Jim Maguire  
Senior Vice President - Sales

JVM/kp

Attachments

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